

**APPRAISAL OF THE REAL PROPERTIES**

Rodney Parcel – 103 Hillside Road  
Dickinson Parcel – 321 Hillside Road  
City of Newark  
New Castle County, Delaware

**AS OF:**

November 21, 2014

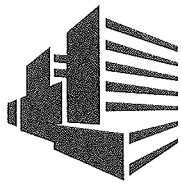
**FOR:**

Mrs. Carol S. Houck  
City Manager  
City of Newark

**BY:**

APPRAISAL-ASSOCIATES, INC.

Robert H. McKennon, CRE, MAI



## APPRAISAL ASSOCIATES, INC.

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December 10, 2014

Mrs. Carol S. Houck  
City Manager  
City of Newark  
220 South Main Street  
Newark, DE 19711

Re: Appraisal of the Real Properties  
Rodney Parcel – 103 Hillside Road  
Dickinson Parcel – 321 Hillside Road  
City of Newark  
New Castle County, Delaware

Dear Mrs. Houck:

In accordance with your request, the above referenced properties have been personally inspected and a study completed as the basis for estimating their market values. The fee simple estate makes up the property rights appraised.

The appraisal is based on the highest and best use concept under the usual fair market value definition. These terms, as well as assumptions and limiting conditions that apply, will be in the report attached. It should be noted that these are an integral part of the appraisal and are critical to an understanding of the underlying premises and the valuation. The following pages contain a narrative summary of the analysis, property description and conclusion to value.

The properties being appraised are two parcels of land, each improved with residential complexes of the University of Delaware, and in the ownership of the University of Delaware. The first is the Rodney complex, located at 103 Hillside Road, containing 7.24 acres, and zoned UN (University). It is further identified as tax parcel 18-019.00-296.

The second is the Dickinson complex located on 8.39 acres at 321 Hillside Road, and also zoned UN. The Dickinson tract consists of two parcels divided by Hillside Road, further identified as New Castle County tax parcel 18-019.00-222.

Both properties are currently improved with residential complexes of the University of Delaware. The properties are both valued as unimproved land under the assumption that all improvements have been demolished and the parcels of land are cleared and capable of development. This represents a hypothetical condition, which is a condition, directly related to a specific assignment, that is contrary to what is known, but is used for the purpose of analysis. The costs or impact on value of demolition are not addressed in this valuation.

The properties are currently zoned UN (University) and are used as the location of residential complexes. If the properties were sold on the open market to a third party, they would have to be rezoned, which would require community input and City Council approval. Under that scenario it is unlikely that a use as intensive as the current University usage would be found permissible. As discussed with the client, the values herein reflect the market value of each of the properties within the general market. The potential value of each of these tracts to the University for continued University based usage is not part of this valuation assignment.

Based on analysis of available and pertinent data, as related to the subject, the estimates of market value as of the effective date of November 21, 2014, are:

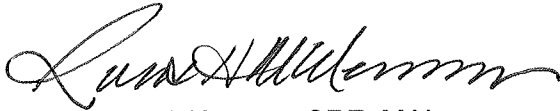
**Rodney Parcel (7.24 acres)**

**Market Value      1,305,000**

**Dickinson Parcel (8.39 acres)**

**Market Value      \$1,385,000**

Respectfully submitted,



Robert H. McKennon, CRE, MAI  
APPRAISAL-ASSOCIATES, INC.

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## **SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

<b>LOCATION:</b>	Rodney parcel – 103 Hillside Road Dickinson parcel – 321 Hillside Road City of Newark New Castle County, Delaware
<b>OWNERSHIP:</b>	University of Delaware
<b>TYPE OF VALUE ESTIMATE:</b>	Market value
<b>PROPERTY RIGHTS:</b>	Fee simple interest
<b>EFFECTIVE DATE:</b>	November 21, 2014 (physical inspection)
<b>DATE OF REPORT:</b>	The report has been prepared during November and December of 2014, and represents a current valuation.
<b>LAND AREA:</b>	Rodney parcel – 7.24 acres (assessment records) Dickinson parcel – 8.39 acres (assessment records)
<b>IMPROVEMENTS:</b>	Both parcels are currently improved with residential complexes used by the University of Delaware. However, both parcels are appraised as if unimproved land.
<b>ZONING:</b>	UN (College use)
<b>FINAL VALUE ESTIMATE:</b>	Rodney parcel - \$1,305,000  Dickinson parcel - \$1,385,000
<b>SPECIAL NOTE:</b>	Please refer to the Scope of the Report section of the appraisal for important hypothetical conditions and premises that are critical to an understanding of this appraisal.

### **IDENTIFICATION OF THE PROPERTY**

**Location.** The properties being appraised are two parcels referred to in this appraisal as the Rodney and Dickinson parcels, located in the City of Newark, New Castle County, Delaware.

The Rodney parcel contains 7.24 acres of land area and is identified as 103 Hillside Road, tax parcel number 18-019.00-296.

The Dickinson parcel contains 8.39 acres of land area and is identified as 321 Hillside Road, tax parcel number 18-019.00-222.

**Ownership.** The properties are owned by the University of Delaware, and have been under the same ownership for an extended period of time. To our knowledge, there have been no recent offers to acquire or sell the properties, although this valuation is being prepared for possible sale purposes.

### **PURPOSE AND DATE OF APPRAISAL**

The purpose of this appraisal is to estimate the market value of the subject properties in order to assist the client, the City of Newark, in City planning and in evaluating a potential sale of the subject parcels. The valuations apply as of November 21, 2014, the date of a physical inspection of the properties.

### **DATE OF THE REPORT**

This report has been prepared during the months of November and December of 2014 and represents a current valuation.

### **DEFINITION OF MARKET VALUE**

Market value as used in this report is defined as:

*The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self interest, and assuming that neither is under duress. (p. 122)*

This definition and all others used in this report are from the following publication:

American Institute of Real Estate Appraisers, THE DICTIONARY OF REAL ESTATE APPRAISAL, 5th edition. (Chicago: American Institute of Real Estate Appraisers, 2010).

### **PROPERTY RIGHTS APPRAISED**

The fee simple interest makes up the property rights appraised. Fee simple estate is defined as:

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (p.78)*

### **SCOPE OF THE REPORT**

The subject properties encompass the Rodney parcel (7.24 acres) and the Dickinson parcel (8.39 acres) in the City of Newark, Delaware. Both parcels are currently improved with residential complexes of the University of Delaware. The two complexes were constructed circa 1966 and are both slated for demolition by the University.

It is important to note that several premises are important to an understanding of the valuation, in addition to the standard assumptions and limiting conditions at the end of this letter. Although both parcels have significant improvements in place, the properties are valued as unimproved land under the assumption that all improvements have been demolished and the parcels of land are cleared and capable of development. This represents a hypothetical condition, which is a condition, directly related to a specific assignment, that is contrary to what is known, but is used for the purpose of analysis. The costs or impact on value of demolition are not addressed in this valuation.

The properties are currently zoned UN (University) and are used in that capacity. If the properties were sold on the open market to a third party, they would have to be rezoned, which would require community input and City Council approval. It is unlikely that a use as intensive as the current University usage would be found permissible. As discussed with the client, the values herein reflect the market value of each of the properties within the general market. The potential value of each of these tracts to the University based on continued University based usage is not part of this valuation assignment. That type of valuation is more akin to a use value, or the value a specific property has for a specific use, which may not be the highest and best use.

This is an appraisal report that will describe the properties and estimate their market values as of the effective date of the appraisal. The analysis will include discussions of market trends, a conclusion as to the property's highest and best use, and the valuation analysis. It is based on an inspection of the property; surveys of market, cost and income data as pertinent to the assignment; and an application of appropriate valuation methodology.

The appraisal process typically involves application of one or more of three standard approaches to value. These approaches are known as the Sales Comparison Approach, the Cost Approach, and the Income Capitalization Approach. The Cost Approach and Income Capitalization Approach are not normally used for analysis of properties such as the subject property; accordingly, the Sales Comparison Approach is employed in this assignment.

This report is in a brief summary format, presenting summary discussions of the data, reasoning, and analyses that were used in the appraisal process. The depth of discussion in the report is intended to be specific to the needs of the client and for the intended use of the report, as discussed with the client prior to the assignment. An omission of “boilerplate” such as demographics, detailed neighborhood analysis, detailed property descriptions, etc. is intentional since the client and intended users are thoroughly familiar with the property, and because it our understanding that this report is to be used for initial planning and as a preliminary step in any sale process. One section of the report (“Market Trends”) does outline generalized economic and real estate trends that are believed to be pertinent to this project. The valuation is intended for no other use than that noted in a previous section, and the appraiser is not responsible for any unauthorized use of the report whatsoever.

In the course of the preparation of this assignment, general and specific data were collected, organized, and analyzed. General data was gathered regarding economic trends on a regional and local basis. Demographic and financial data was gathered from sources such as the State of Delaware, New Castle County, and the City of Newark.

The properties were inspected. Sales data from the relevant market area was collected, and market transactions pertinent to the valuation problems were investigated and analyzed. Data was gathered from such sources as on file information from other appraisals in the area, our market data system, our office files, market participants in this segment of the market, the New Castle County Board of Realtors multi-list system, local real estate brokers and agents, and New Castle County public records. After selection of appropriate sales data, a comparative analysis of relevant factors that influence value was undertaken to compare the sales data to the subject property, based on the actions and preferences demonstrated by market participants.

Appraisers must reflect the perceptions of investors, buyers and sellers as accurately as possible. We offer an informed professional judgment based on as much data and market information as we can assemble. As a result of our study, certain projections and premises are developed in order to derive value estimates.



This report is, in part, based on projected information which is considered to be a fair reflection of the market and the anticipated performance of the property. It is important to understand that while these underlying assumptions provide a reasonable basis for the projections made, some assumptions may not materialize, and unanticipated events and circumstances may occur. The actual results and performance of the property, therefore, may differ from the projections and the variation may be material. Nevertheless, every effort is made to be as reasonable, prudent and reliable as possible.

The report is intended as a professional opinion of value, as of a certain date, under specific assumptions. It is not intended as a substitute for legal, accounting, engineering or other professional expertise, and should not be construed as a survey, legal opinion, or an engineering or property inspection report. Anyone relying on this report is urged to perform such due diligence as is required to reconcile any issues relating to these assumptions.

This appraisal is for no purpose other than property valuation under specific premises and assumptions, and the appraisers are neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are inherent limitations to the accuracy of the information and analysis contained in this appraisal. It is made under conditions of uncertainty and the appraiser is limited by having only that data available and known at the time the appraisal was made. Opinions and estimates expressed herein represent the appraiser's best judgment which should not be construed as advice or recommendations to act. Any actions taken by any reader of this report should be based on your own judgment, and the decision process should consider many factors other than just the value estimates and information given in this report.

The reader is referred to the assumptions, limiting conditions, and contingencies outlined at the end of this report, which are an integral part of the valuation. The reader's understanding of these items is critical to an understanding of the valuation process. An elimination or change in any of these, as well as in other specific assumptions developed in the analysis, may result in a different value premise and/or valuation.

As will be discussed subsequently, the property has a different highest and best use within the overall real estate market than its current use as dormitory complexes for the University of Delaware.

The most likely buyer of the subject property within the general market would be a developer who would seek to redevelop the tract in a manner compatible with the residential pattern of the immediately surrounding neighborhood.

The property's highest and best use in the larger real estate market is far different than its current usage or its usage for University purposes, which are subject to different regulations than other users in the City of Newark. Accordingly, the reality is that most sales of this type property will be based on a contract that ties the performance of the contract to achieving site approvals and any needed rezoning for the developers/buyers' plans.

Additional engineering and legal work will be required as the property moves through the approval process in providing for any different development of the subject. We have completed as much due diligence as practical to supply an informed opinion of value based on the information available, and have attempted to use reasonable assumptions and premises in the analysis. However, we are not engineers, and absolutely no warranties are made by the appraiser as to buildability, potential density or engineering and development parameters involved with any development of the subject tract; the structural condition of the improvements, or any developing economic factors. The valuation is subject to revision if additional professional engineering or legal services further define and quantify such considerations or other relevant factors. Any rezoning changes in the property, deed restrictions, or the possibility of obtaining more or less square footage within a given development may impact the value. Similarly, if as the development of the project is further defined, and unusual and unanticipated development or approval costs or obstacles are associated with the development, the value would be impacted.

Moreover, as of the current valuation date, economic conditions – although seemingly improving – still remain problematic. This report attempts to take into account the uncertainties and variables of the development potential of the property, the presence and condition of the improvements, the risks associated with the property and any potential development, and fluctuating (potentially volatile) economic conditions. This valuation is intended to represent neither an optimistic, nor a "doomsday" valuation. However, any decisions regarding the property going forward need to be mindful of the rapidly changing economic climate and the realization that the date that the property is actually "ready to go" could be months away.

The City of Newark Planning Department indicated that a typical rezoning and subdivision approval could be completed in approximately six months from the time of submission of plans. The approval process would be carried out at the buyer's expense, but assuming no unusual delays or costs beyond those typical in this market. This represents an "as is" valuation, without approvals in place, but many informed buyers would tie their offer to buy the property to obtaining the approvals for a specified use, with closing to take place after the approvals were obtained.

**Although a significant amount of due diligence was completed, evaluation of any such property with a changing highest and best use is problematical. Based upon the results of further input from engineering and/or governmental officials or bodies, a materially different value conclusion could be derived depending upon on the results of additional studies or data with respect to the City of Newark's zoning code that may impact the property. A potentially fluctuating market is also a large factor in how the property is viewed at a given time. The client is aware of the uncertainties of the valuation process in these regards. The appraiser reserves the right to revise the value conclusion depending on the results of any new information.**

**MARKET TRENDS**

The economy has been extremely sluggish over the past several years on a nationwide and local basis, but has shown some recent signs of improvement. Moderate growth in 2013 and 2014 was in line with the expectations of the market, and may continue to improve in 2015. Although the unemployment rate decreased to below 7%, job growth has been disappointing, and the economy has not shown signs that suggest a surge in employment growth in the near term. A continuing environment of low interest rates has been a factor now for several years in the midst of a difficult economy. The Federal Reserve's decision to hold rates low through 2015 may keep rates from increasing toward long term averages over the near term.

The stock market improved through 2014, with record highs in spite of significant risks still present in the economy. Consumer confidence has been relatively solid, with retail sales increasing, but consumers remain cautious.

Nationwide, the housing market had shifted from being a drag on the economy to a positive indicator and driver of growth. Prices have stabilized and increased in some markets, and homes are remaining on the market for shorter time periods. Housing starts have increased nationally and locally. However, local statistics still indicate caution for the housing market, and nationally, the market slowed in early 2014. Moreover, even as the market recovers, some downward pressure is exerted by the prospect of rising interest rates and a still wary economy.

The table on the following page displays data from the New Castle County Board of Realtors multi-list system from the New Castle County area and for the Newark/Glasgow area. For New Castle County as a whole, the average sale price reached its peak in 2007 at approximately \$266,000. Approximately 573 units per month sold in 2007, with an average of 53 days on the market. By way of contrast, in 2014 to date, the average sale price in New Castle County was approximately \$232,000, with 435 sales per month and an average of 67 days on the market. Submarkets of New Castle County typically showed a similar pattern of lower pricing, a reduced sales volume, and longer marketing times.

The above statistics paint a somber, yet cautiously improving picture of the market. In the larger New Castle County market, the average sale price has declined 15% from its 2007 peak. The pace of sales has declined from a peak of 690 sales per month in 2005 to a more recent pace of 453 sales per month. Houses remain on the market an average of approximately two months, in contrast to 2005 when they sold in less than a month on average.

**SUMMARY OF SALES ACTIVITY – NEW CASTLE COUNTY**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (10 mos.)
<b>Units Listed</b>	11,953	13,287	13,171	11,095	9,352	8,615	8,567	5,619	8,277	7,639
<b>Units Sold</b>	8,285	7,700	6,881	4,884	4,982	4,242	4,398	3,500	5,433	4,345
<b>Sales/Month</b>	690	641	573	407	415	354	366	437	453	362
<b>Average Sale Price</b>	\$245,389	\$257,200	\$266,243	\$259,016	\$240,684	\$242,413	\$218,467	\$211,096	\$225,102	\$232,078
<b>% Change</b>	+13%	+5%	+4%	(-3%)	(-7%)	+1%	(-10%)	(-3%)	+7%	+3%
<b>Average Days On Market</b>	28	39	53	71	79	80	94	86	72	67

**SUMMARY OF SALES ACTIVITY – NEWARK/GLASGOW**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (10 mos.)
<b>Units Listed</b>	3,577	3,774	3,982	3,261	2,587	2,658	2,374	2,119	2,192	2,079
<b>Units Sold</b>	2,586	2,379	2,140	1,535	1,445	1,236	1,225	1,454	1,566	1,270
<b>Sales/Month</b>	216	198	178	128	120	100	102	122	131	127
<b>Average Sale Price</b>	\$243,544	\$261,685	\$264,793	\$258,269	\$240,016	\$230,918	\$218,569	\$207,971	\$218,787	\$226,075
<b>% Change</b>	+17%	+7%	+1%	(-2%)	(-7%)	(-4%)	(-5%)	(-5%)	+5%	+3%
<b>Average Days On Market</b>	21	34	47	68	79	76	93	81	67	60

The outlook for the housing market in Delaware remains clouded despite some signs of recent improvement. Although there have been signs that the market may have bottomed, and indeed is improving, neither professionals nor laymen are sure how these conditions will continue to unfold over the long, short, or mid term.

Although the recent recession has been declared to be “officially” over, investors remain concerned about the economy. The commercial real estate market for non-institutional properties (the vast majority of properties in this market), has been struggling for several years. The tepid economy and difficult credit market combine to make matters difficult for owners and prospective buyers. The commercial market typically lags the overall economy in recovery. Investors have been waiting for prices to bottom, while owners have been holding on to their properties and trying to ride out the storm. This situation will take more time to resolve and the recovery of the commercial real estate market will probably lag the recovery of the overall economy and of the housing market. Nonetheless, after several years of almost non-existent sales activity, some sales of non-residential properties are beginning to emerge.

The economy has shown signs of awakening, with moderate growth suggesting a recovery. But underlying problems including the withdrawal of the federal stimulus program and lack of business confidence indicate that the economy’s problems may be deep, and that although a double dip recession may not occur, it is possible we may still be in the troughs of a choppy “U” or “W” shaped economic curve as opposed to the “V” shape curve that is more emblematic of a steady recovery.

Real estate is more illiquid than the stock market and it typically takes longer to define and predict trends. When the real estate market is booming as it was through much of the early to mid 2000’s, prices rise higher and higher as conditions improve, until at the peak of the market, there is often little rationality in pricing and in buying decisions. When buyers realize the market has peaked and beginning to stagnate or decline, those who do not have to buy often exit the market or become extremely cautious. Inventories rise and fewer buyers seek homes and investment or commercial properties. There is normally a lag or disconnect period during which buyers refuse to pay prices based on previous “boom” conditions, and sellers refuse to acknowledge a shift in the market. Gradually, some sellers who are forced to sell or who realize there is a decline in the market accept lower prices. At this point, objective indications of a decline in values are present and buyers slowly begin to reenter the market as a more realistic trading range of prices begins to be established. Prices often continue to sag as buyers who are not in a hurry to purchase will simply not buy unless they feel they have gotten a “bargain” price, or made a better deal than the last buyer in the neighborhood or in a given market.

This process can involve an extended period of decline that lasts for years. Finally, some of the excess supply in the market is absorbed as buyers realize that the market has truly bottomed out and that indeed, the current offering prices are as big a bargain as they are going to find. Buyers continue to reenter the market, and prices begin to rise and build momentum over time as the supply of properties dwindles. This cycle was last demonstrated between approximately 1985 and 2006.

More statistical data is available from which to analyze the housing market than for commercial real estate, but the housing data also serves as a useful barometer by which to evaluate commercial real estate since there is typically a lag between the housing cycle and the commercial cycle. The housing market has been in a decline for several years and bankers have been dealing with that aspect of their real estate portfolios. Commercial real estate investors have found credit difficult to obtain, even for strong owners to simply roll over stable and performing loans on their non-residential properties. With interest rates remaining relatively low, however, most owners are attempting to hold on to their properties in the face of difficult economic times. Currently, investors who have the cash to acquire commercial real estate are well aware of the problems that market is facing and are patiently awaiting buying opportunities.

During 2009 through 2014, relatively few non-residential transactions have occurred, with market participants struggling through the time period waiting for a market bottom, managing properties with increased expenses and eroding tenant bases, and hoping for some economic good news. Lenders have delayed foreclosing on troubled borrowers and recognizing loan losses to shore up their reserves, and a day of reckoning has been put off. There has been a disconnect between what savvy buyers will spend and what sellers have thus far been willing to accept. From 2009 forward, the limited transactional data available has related primarily to owner-users with a specific use or need for a given piece of property. A decreased number of developers or traditional investors buying a typical investment property such as an apartment complex, retail center, industrial building or office building entered the local market. There have been few sales of property requiring a period of time for conditions to stabilize before they produce a stabilized cash flow, or "speculative" tracts such as pre-development land. The limited buyers have thus far shown interest in so-called prime properties with stabilized cash flows, or in some cases, owner-occupied situations. This "flight to quality" is present in the upper strata of the market characterized by institutional real estate and portfolio buyers, and in the less heady local market.

Current market dynamics may lead to properties that will be acquired by well funded, liquid buyers. Their initial focus, however, will be on “trophy” type properties, and it will take additional time for typical non-institutional, second-tier investment properties to be given serious consideration.

The real estate market has declined significantly, but is showing signs of shaking off its torpor. Many informed market participants have not reentered the market, either not knowing when or where the bottom may be, or, alternatively, seeking bargains. Credit is also difficult to obtain for both developers and buyers relative to the plentiful supply of capital that was available in the mid 2000's.

Overall, the commercial real estate market has shown signs that it has bottomed out, but investors have for the most part focused on core, prime assets. Development activity is anticipated to be very slow over the near term as the majority of developers are still grappling with reduced cash flows, higher than normal vacancies, a difficult credit market, and increasing operating expenses.

The office market has shown limited signs of improvement, but rents remain difficult to raise, and absorption remains flat. Consumers have tended to be conservative, putting pressure on the retail market. Due to the lack of construction, the industrial sector has shown some positive signs, with lower vacancies. The apartment market has trended upward over the past several years. In all cases, any improvement has been limited, and has been concentrated in prime, Class “A” properties with strong fundamentals and cash flows. Class “B” properties have fared less well, with less market activity or improvement.

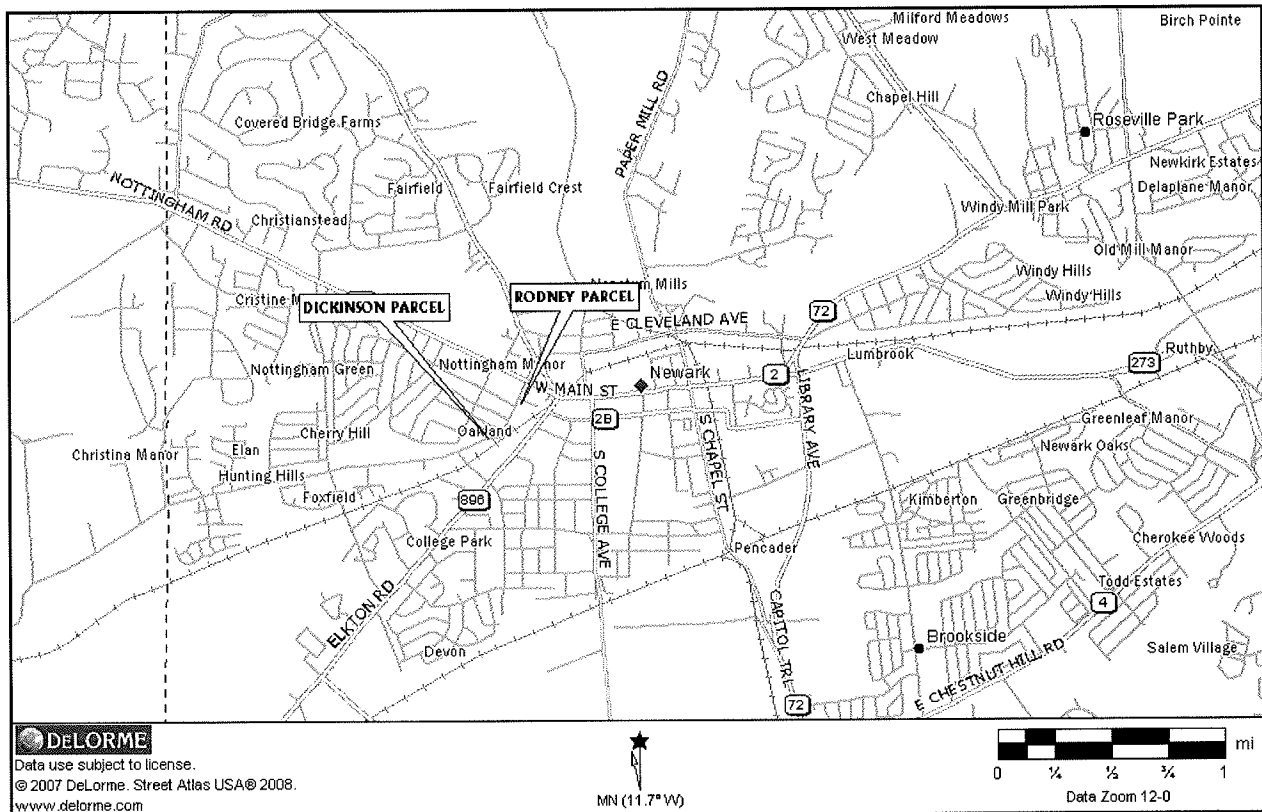
Market fundamentals have stabilized to a degree, but risks remain present. Buyers can be expected to take a conservative view and continue to pursue quality. The industry may be on the cusp of a recovery, but the road is long and risky. Investing in real estate will be more difficult than in times past when simply buying a property and waiting for an increasing market to provide a solid return was considered an adequate strategy. Real estate will have to be evaluated property by property and considered as a resource to be proactively managed in order to succeed as an investment. Lenders will need to become more confident that long term prospects for real estate are likely to improve at a steady pace, and buyers and sellers will need to become more realistic in their expectations if the pace of transactions is to increase significantly.



There appears to be a distinct two tier market, with prime, institutional grade properties benefitting from a generally improving economy and low capitalization rates. However, there is somewhat of a “dead zone” at the middle and lower tiers of the market, with almost no activity. A multi-tier market going forward can be anticipated, with a significant spread in capitalization rates between Class A properties with solid tenants, adequate but older properties with a lower profile tenant base, and distressed properties. Virtually all commercial properties have taken significant hits to value, but certain niche type markets such as medical offices, senior housing, owner-user properties, and student housing may be less impacted than typical investment vehicles.

**NEIGHBORHOOD DESCRIPTION**

The following maps depict the location of the subject property.



The properties are situated just northeast of the intersection of Hillside Road and Apple Road in the west sector of the City of Newark. Land uses in the immediate vicinity are predominantly single family detached residences in the subdivision of Oaklands, which was developed in the 1960's. This is a sought after neighborhood with well maintained homes on approximate 10,000 to 15,000 square foot lots and average prices in the range of \$275,000. The Oaklands community pool is located on Hillside Road between the two subject properties.

To the west along Hillside Road past Apple Road, land uses are more mixed, with townhouses and small offices interspersed with single family detached houses.

A railroad line represents the southeast border of the two subject properties and forms a geographic boundary that separates the immediate residential neighborhood with uses oriented to the University of Delaware along South Main Street. Land uses in the vicinity along South Main Street include a blend of mixed uses such as multi-family residential oriented to student housing, retail commercial, and some office space. Much of the retail usage such as the Greene Turtle (tavern), Pat's Pizza, Buffalo Wild Wings, Claymont Steaks, and a laundromat, caters to students

from the University of Delaware's west campus area. However, a number of other uses such as a Sunoco gasoline station, Louviers Federal Credit Union, Federal Express, and the Park and Shop Shopping Center are oriented to a larger base and take advantage of the commercial traffic on South Main Street.

The most prominent land use in the vicinity (other than the two subject properties themselves) is the City of Newark's municipal complex which encompasses the police station and the municipal building located at the intersection of Apple Road and South Main Street.

A recent trend over the past several years has been the development of new student housing in this area along South Main Street (and other areas near the University). These are typically apartments for students on upper floors, with retail or office usage on the first floor. Rittenhouse Station, located next to the municipal complex, exemplifies this trend. The property was a former automobile dealership which had been closed. The redeveloped, three building complex has 17,250 square feet of retail space on the first floor of a building fronting South Main Street (anchored by the Greene Turtle), and a total 66 apartment units on the upper floors of the three buildings.

The subject neighborhood is an established one. Any growth will necessarily be subject to the demand within the market and the resolution of issues created by stakeholders including government, neighborhood residents, the University of Delaware, developers, and others. The two subject properties are large tracts in the context of this neighborhood, and all the parties above will be monitoring any development plans.

**PROPERTY DESCRIPTION**

The subject properties are two tracts of land currently improved with the Rodney and Dickinson housing complexes of the University of Delaware. As previously discussed, this appraisal is based on the hypothetical condition that the existing improvements have been demolished and that the two tracts are cleared and available for development. Accordingly, the existing improvements are not discussed or considered further within this report.

The following are portions of tax maps depicting the two subject properties.

**Rodney Tract**

**Dickinson Tract**

The salient features of the subject properties are displayed in the table below.

Property	Rodney Tract	Dickinson Tract
Tax Map	18-019.00-296	18-019.00-222
Parcel Size	7.24 acres	8.39 acres
Road Frontages	E/s Hillside Road, s/s Forest Lane, w/s Thompson Lane	N and e/s Hillside Road
B & O Railroad	Forms southeast border of parcel	Forms south border of parcel
Shape	Four sides, slightly irregular	Elongated, irregular
Topography	Generally level to gently sloping	Generally level to gently sloping
Utilities	Public	Public

The Rodney tract is of more regular shape, has a corner location offering three road frontages, and has an area with mature trees at the north end of the parcel. It is considered of good overall utility and adaptable to a wide variety of potential uses from a physical point of view.

The Dickinson tract is divided by Hillside Road with a narrow strip on the north side. Due to this division and its more elongated shape generally it is considered of average overall utility.

Photographs in the Addenda depict aspects of the parcel and the existing improvements.

### **ZONING**

Current zoning of both properties is UN. (university or college district), a classification for uses associated with a college or university. It permits a State college or university and accessory uses customarily incidental to a college or university.

The prevailing non university zoning in the immediate neighborhood is RS, a single family residential classification for detached residences with a minimum lot size of 9,000 square feet.

For further details reference is made to the Zoning Code of the City of Newark.

**HIGHEST AND BEST USE**

The concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most probable use. Highest and best use has been defined as:

*The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (p. 93)*

Factors analyzed in a highest and best use study include locational attributes, the property's physical features, current and potential zoning and economic and social trends. This study forms the basis for the valuation procedure.

A property's use is limited by its physical attributes such as its location, size and shape. The subject properties have been described in a previous section. The underlying land is represented by unimproved parcels of 7.24 and 8.39 acres, respectively. Although of irregular shape, both parcels are of serviceable topography, are adequately drained, have road frontage and public utilities available; and are of configurations that would offer the potential for a wide variety of uses from a physical point of view.

Zoning regulations, building codes, and planning districts restrict a property's use to certain categories. Although the properties are currently zoned appropriately for their current high density residential use, if they were sold on the open market for alternative development, they would have to be rezoned and approved for an alternative development to take place.

The neighborhood to the southeast offers high density residential and commercial development but is separated from the subject properties by the B & O railroad tracks. Any change in zoning to accommodate non-residential uses would be incompatible with the single family residential character of the Oaklands development directly across Hillside Road. Some office development and townhouses are located along Hillside Road, but they are west of Apple Road and somewhat removed from the single family detached development in Oaklands.

There are examples of uses which cater to an ongoing demand for housing and commercial projects in this location that are geared to the student population of the University of Delaware, which take advantage of the location near the core of the University campus and convenient access to City amenities and transportation routes. However, all these redevelopments have taken place southeast of the B & O railroad and are accessed by the commercially oriented South Main Street, as opposed to the residentially oriented Hillside Road. Due to these factors, a

rezoning for utilization in a non-residential capacity or high density residential does not appear to be reasonably probable.

Based on the residential orientation of the neighborhood and discussions with officials from the City of Newark, it appears that residential redevelopment is the most reasonably probable usage of the subject property. Due to the composition of the surrounding neighborhood and the need for a rezoning, student housing does not appear to be viable.

Any redevelopment of the subject would require this type of cooperative engagement between the stakeholders (many, potentially). The value to a purchaser who would buy the property “as is”, taking the chance that rezoning might be obtained without any sort of prior agreements as to what could be developed, would be significantly lower than the value of the property based on a cooperative redevelopment effort. Please note that the value being sought in this report reflects the “as is” value – not a “rezoned and approved” value.

In sum, it appears that the most reasonable and probable use for the subject, and that which would lend maximum present value to the property, would be for rezoning of the property to provide for redevelopment with a residential project encompassing single family detached and/or low density semi-detached usage.

A scenario contemplating the property as being able to be rezoned and approved to an RD (semi-detached) classification is used in this instance to indicate a logical scenario for valuation. A density of three units per acre is applied, which appears to be a reasonable estimate that balances the current extremely high density residential use of the properties, nearby office usage on Hillside Road, high density student and commercial uses just southeast across the B & O railroad tracks, the current single family detached orientation in Oaklands (the most proximate development and the one most impacted by any development on the subject properties), and prevailing lot size patterns and densities in the area.

Please note that the actual and specific type of project, size, unit mix, number of stories, etc. that would likely be planned are well beyond the scope of this study. They will ultimately be determined by a developer putting forth a plan for the property – a proposal – and good faith negotiations on the part of all participants.



**THE APPRAISAL PROCESS**

The appraisal process is a systematic program by which the problem is defined; the work necessary to solve the problem is planned; and the data is gathered, classified, analyzed, interpreted, and translated into an estimate of value. An opinion of value is normally based on one or more of the following three approaches to value, with appropriate emphasis on one or another as circumstances warrant:

*The SALES COMPARISON APPROACH: The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. (p.175)*

*The INCOME CAPITALIZATION APPROACH is "a set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate." (p. 99)*

*The COST APPROACH is "a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure; including an entrepreneurial incentive, deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised." (p. 47)*

Reconciliation is the final appraisal step. It is the process by which the relative merits and reliability of each approach are weighed to reach a final value estimate.

An application of the Cost Approach is not considered feasible for the subject because the existing improvements are not representative of the highest and best use of the property, and will be demolished. The premise for this valuation is that the buildings have been razed and that the two parcels are available for development. Similarly, the Income Capitalization Approach has not been considered as there is not an entity generating an income stream or capable of generating an income stream which could be appropriately capitalized in order to derive an indication of value.

In this instance, valuation is by the Sales Comparison Approach. This approach is considered the most applicable valuation model in that it is based on a review and analysis of market transactions representing the activity of buyers and sellers for this type of real estate.

### **VALUATION**

The Sales Comparison Approach involves the comparison of similar properties that have recently sold with the subject property. These properties are compared to the subject with regard to such differences or similarities as location, improvement condition/utility, financing, conditions influencing sale, relative land value, etc. The notable differences in the comparable properties are then adjusted to the subject property to indicate a value range for the property being appraised. When sufficient sales data are available, these adjustments best reflect the actions of typical buyers and sellers in the subject's market.

Although there have been relatively few sales, a number of properties with certain similarities to the subject have sold in a time frame within which they could be related to the subject. Six sales have been given primary emphasis in this analysis, and are outlined on the following pages, followed by a map of their locations and a tabular comparison with the subject property. All are properties that have been developed with (or are planned for) apartment, townhouse, or semidetached usage. The sales have been reviewed on a basis of sale price per residential dwelling unit, which provides for a common unit of comparison often utilized by buyers, sellers and brokers of this type property. The value per residential dwelling unit is applied to the potential density of three units per acre to indicate a per acre value for each of the subject parcels. The unit rates are different due to differences between the two parcels, which will be summarized later in this section.

Sales from Newark were the initial focus of this analysis. However, due to a dearth of sales data, it was necessary to expand the scope of research outside the City. Three sales from upper New Castle County outside the City limits, but with similar characteristics to the subject, were analyzed as part of the valuation process. In each case, the sale properties were acquired for development with twin or townhouse usage (or a blend of these uses), which correlates with the anticipated usage of the subject.

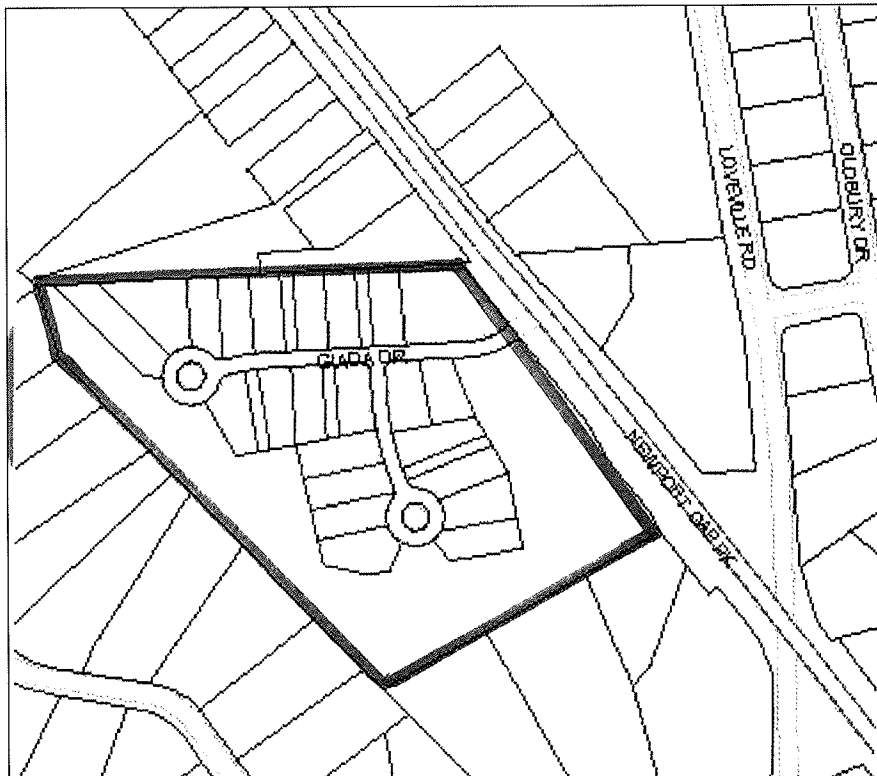
**Land Sale 1**

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<b><u>Location:</u></b>	Marra Landing, Newport Gap Pike, Mill Creek Hundred
<b><u>Date:</u></b>	June 2008
<b><u>Price:</u></b>	\$1,600,000
<b><u>Deed Record:</u></b>	2008 06 18 – 004 2339
<b><u>Seller:</u></b>	Theodore Property Partners
<b><u>Buyer:</u></b>	Marra Corporation
<b><u>Zoning:</u></b>	S (Suburban – New Castle County)
<b><u>Parcel Size:</u></b>	10.43± acres
<b><u>No. of Lots:</u></b>	27
<b><u>Density:</u></b>	2.6 lots per acre
<b><u>Unit Price:</u></b>	<b>\$59,259 per lot</b>

**Comments:**

This property was acquired prior to approval, and was planned as the community of Marra Landing, to consist of 27 twin and townhouse dwelling units. The final development plan was approved in September of 2013, and the homes were marketed at prices starting from \$385,000 to \$420,000 (as of fall 2013). The property is situated south of Hockessin.



## Land Sale 2

<b><u>Location:</u></b>	Traditions at Pike Creek, Curtis Mill Road and Limestone Road, Mill Creek Hundred
<b><u>Date:</u></b>	December 2008
<b><u>Price:</u></b>	\$3,350,000
<b><u>Deed Record:</u></b>	2008 12 23 – 008 1219
<b><u>Tax Parcel:</u></b>	08-030.00-007 and 08-024.00-024
<b><u>Seller:</u></b>	John W. and Carol Naudain
<b><u>Buyer:</u></b>	Traditions at Pike Creek, LLC
<b><u>Zoning:</u></b>	S (Suburban – New Castle County)
<b><u>Parcel Size:</u></b>	25.4806 acres
<b><u>No. of Lots:</u></b>	64
<b><u>Density:</u></b>	2.5 lots per acre
<b><u>Unit Price:</u></b>	<b>\$52,344 per lot</b>

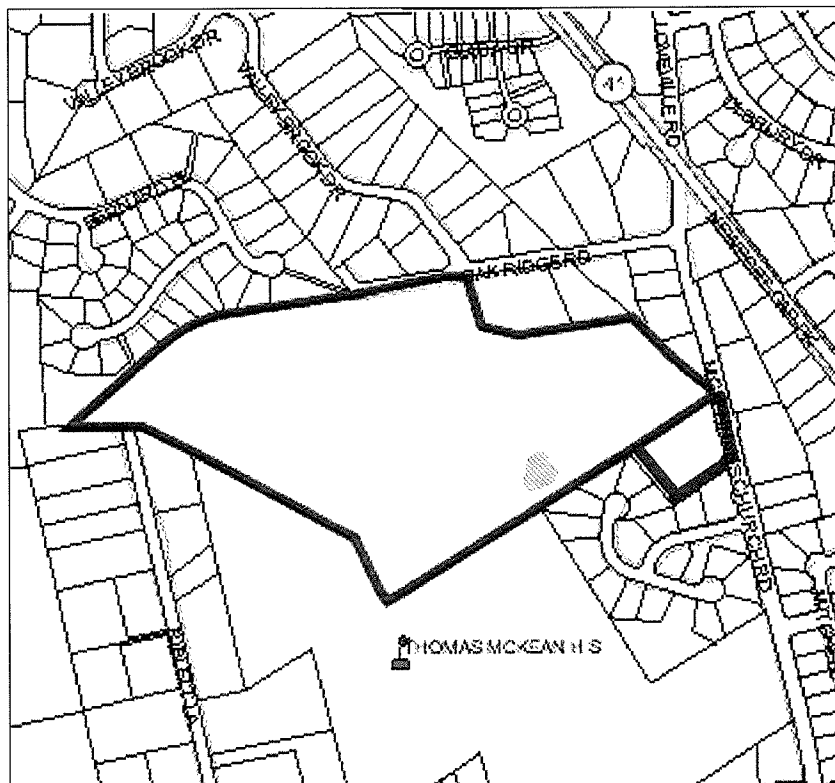
**Comments:** This represents the sale of a somewhat irregularly shaped parcel which was later rezoned to an ST (Suburban Transition) classification to provide for the development of the property with 64 townhouses. The townhouses are selling for \$320,000 and up, with improved lots being sold to the developer on a phased takedown basis at approximately \$140,000 per lot.



### Land Sale 3

<b><u>Location:</u></b>	Westhampton, 100 McKennan's Church Road, Mill Creek Hundred
<b><u>Date:</u></b>	December 2012
<b><u>Price:</u></b>	\$4,000,000
<b><u>Deed Record:</u></b>	2012 12 190-0007 4970
<b><u>Seller:</u></b>	Frank E. Acierno
<b><u>Buyer:</u></b>	MCWD, LLC
<b><u>Zoning:</u></b>	S (Suburban – New Castle County)
<b><u>Parcel Size:</u></b>	40.72 ± acres
<b><u>No. of Lots:</u></b>	105
<b><u>Density:</u></b>	2.6 lots per acre
<b><u>Unit Price:</u></b>	<b>\$38,095 per lot</b>

**Comments:** This property, located near Hockessin, was acquired prior to development approval. It is being planned as Westhampton, a development of 85 townhouse and 20 duplex units (total of 105 units).

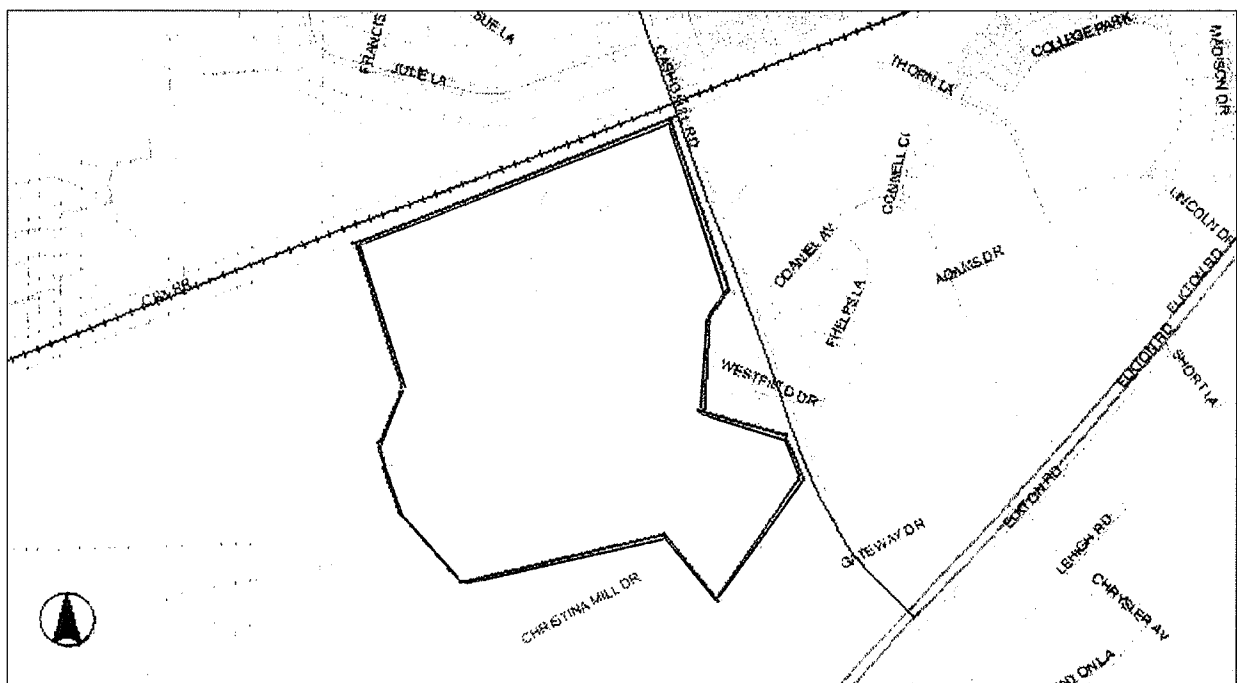


**Land Sale 4**

<b><u>Location:</u></b>	Newark Preserve, west side of Casho Mill Road, Newark
<b><u>Date:</u></b>	September 2012 to July 2013
<b><u>Price:</u></b>	\$1,720,000
<b><u>Deed Record:</u></b>	Various
<b><u>Seller:</u></b>	Wilson Farm Associates, LLC
<b><u>Buyer:</u></b>	Cornell Wilson, LLC
<b><u>Zoning:</u></b>	RR and RD (City of Newark)
<b><u>Parcel Size:</u></b>	39.75 ± acres (overall parcel size)
<b><u>No. of Lots:</u></b>	86 (overall lots in the community)
<b><u>Density:</u></b>	2 lots per acre
<b><u>Unit Price:</u></b>	<b>\$86,000 per lot</b>

**Comments:**

This property was annexed into the City of Newark from White Clay Creek Hundred and rezoned and approved at the same time as settlement to provide for development of a 55+ active adult community of 86 dwelling units. It was originally acquired by the developer in 2007 for \$39,535 per unit. A new buyer (above) contracted to buy lots, and the purchase price above represents the 20 lots settled to date. The sale was based upon a price of \$86,000 per lot, which included the site improvements and utilities. This was a phased transaction, and as of July 2013, 20 lots had been acquired. Residences are being marketed (Fall 2014) at prices from approximately \$320,000.



**Land Sale 6**

**Location:** Southerly corner South Main Street and Murray Road, South Commons, Newark

**Date:** May 2013

**Price:** \$1,400,000

**Seller:** RDD Enterprises, Inc.

**Buyer:** 221 Murray Road, LLC

**Deed Record:** 2013 05 31 – 003 4889

**Tax Parcel:** 18-025.00-178, 179, 180

**Parcel Size:** .86 acre

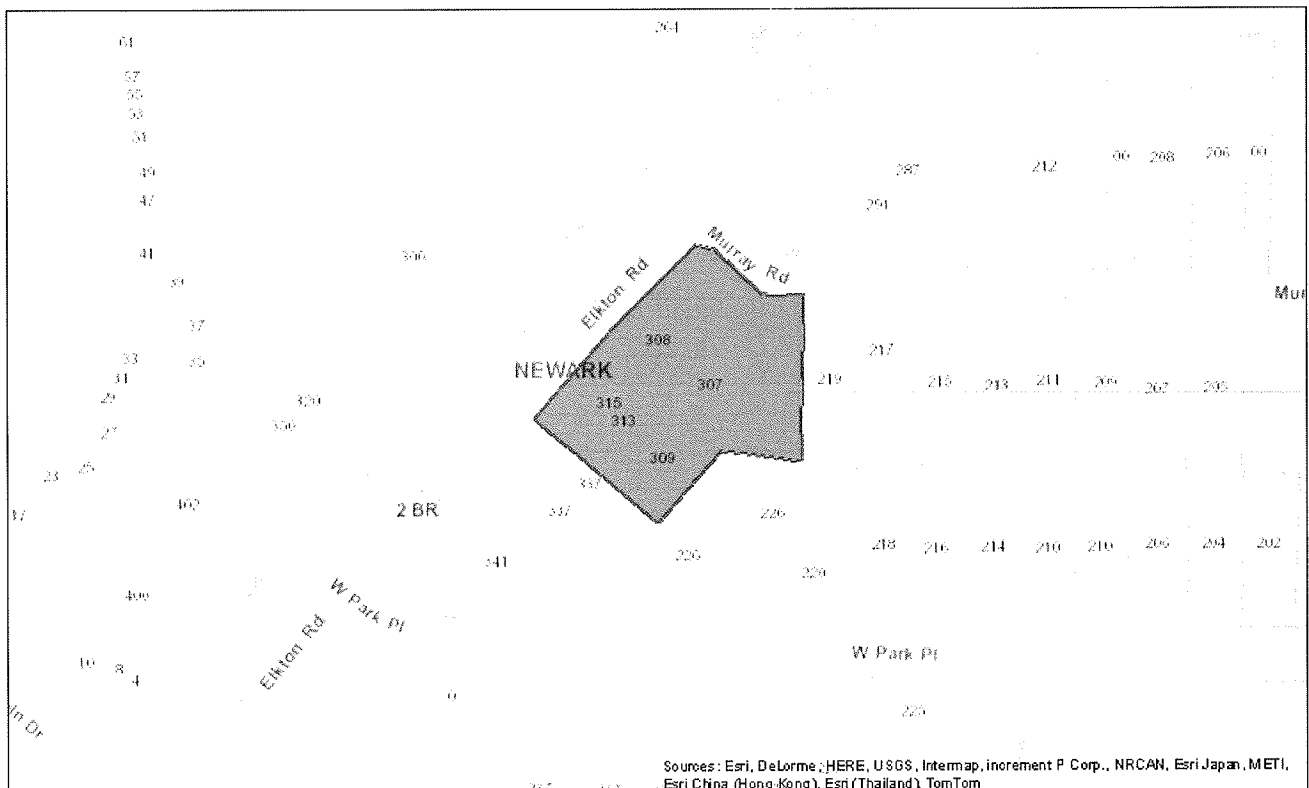
**Zoning:** BLR to RM (Garden Apartments)

**No. of Lots:** 13

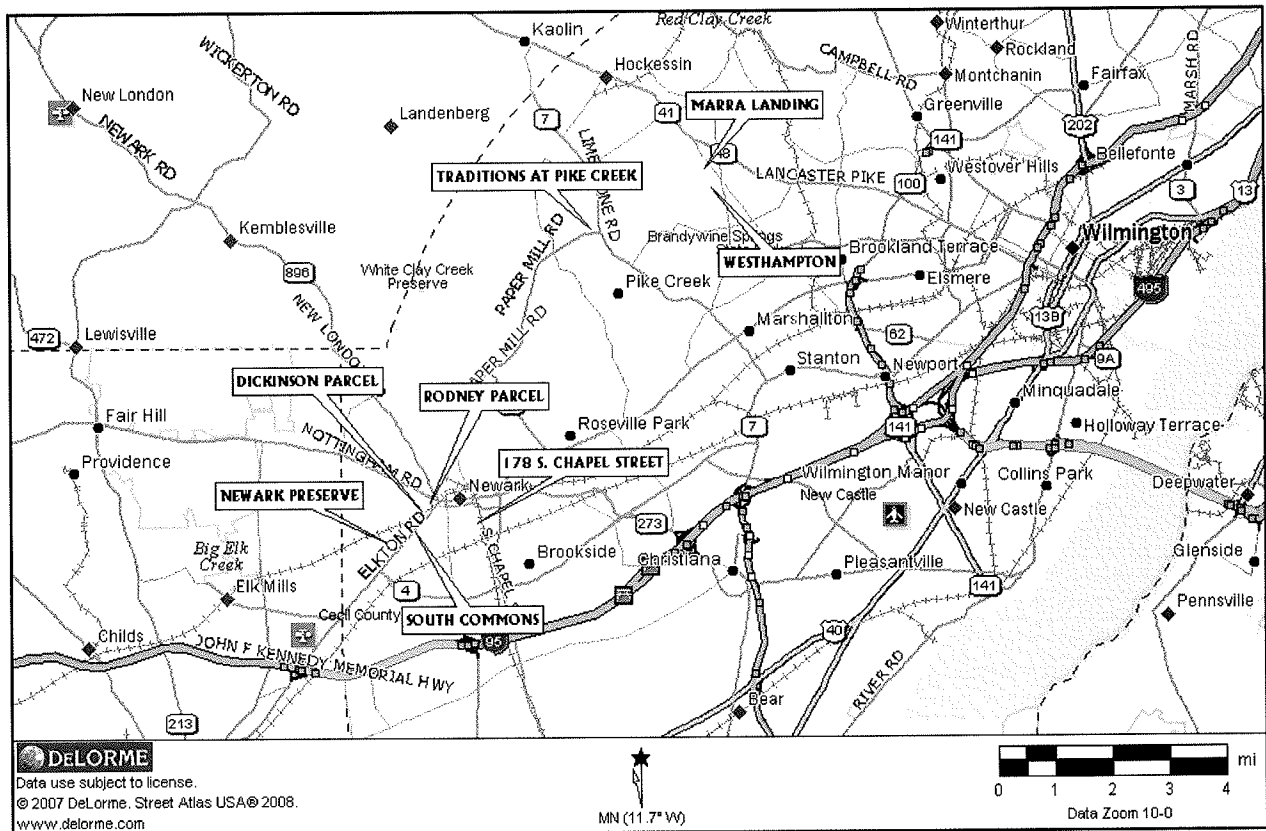
**Density:** 15 lots per acre

**Unit Price:** **\$107,692 per lot**

**Comments:** This represents the sale of three contiguous parcels that was redeveloped as South Commons, a student housing oriented community of 13 townhouses. The property fronts South Main Street and wraps around the corner at Murray Road, offering a courtyard entrance. The property received subdivision approval in October of 2013.



# COMPARABLE SALES MAP





**SUMMARY OF COMPARABLE SALES DATA**

Data #	1	2	3	4	5	6	Subject	Subject
Date	6/08	12/08	12/12	9/12-7/14	7/13	5/13	11/14	11/14
Location	Marra Landing	Traditions at Pike Creek	Westhampton	Newark Preserve	Chapel Street	South Commons	Rodney Tract	Dickinson Tracts
Price	\$1,600,000	\$3,350,000	\$4,000,000	\$1,720,000	\$900,000	\$1,400,000		--
Land Area**	10.43 ac	35.4806 ac	40.72 ac	39.75 ac	.708 ac	.86 ac	7.24 ac	8.39 ac
# Units	27	64	105	20	10	13	21-22	25-26
Density**	2.6/ac	2.5/ac	2.6/ac	2.0/ac	14/ac	15/ac	3.0/ac	3.0/ac
Price/Unit	<b>\$59,259</b>	<b>\$52,344</b>	<b>\$38,095</b>	<b>\$86,000</b> (includes site work)	<b>\$90,000</b> (student housing)	<b>\$107,692</b> (student housing)	<b>\$60,000</b>	<b>\$55,000</b>

\*\* Land areas and densities are based upon the subdivision plan for the overall project.

The sales above occurred between June of 2008 and current date. All the properties were acquired for townhouse, or semi-detached residential development. The number of dwelling units ranges from 10 to 105 units, with the proposed subject tracts valued as if capable of 21 to 26 units.

Although it is recognized that there are physical, economic, and locational differences in the sales reviewed, they are of sufficient comparability, if analyzed as to various elements of comparison, to formulate a reliable indication of value for the subject.

The sales have been considered as they relate to the subject property with adjustments for differences depending on whether the comparable sale is considered superior, similar, or inferior to the subject. The adjustments have been made on a relative basis from a review and analysis of the market. If specific data is not available to provide quantification for adjustments, a more subjective analysis utilizing the appraiser's judgment and experience is undertaken. Subdivision plans, tax maps, and other data regarding each of the comparable properties was gathered and studied, and each property was physically viewed.

The first principal adjustments relate to property rights, financing, conditions of sale, and market conditions. Property rights pertain to the transfer of fee simple or partial interest in title such as condominium rights. Financing adjustments require comparison where appropriate for transactions with unusual financing which is not representative of a cash transaction or its equivalent. A conditions of sale adjustment is based upon the motivations of parties for such situations as a property owner who had a particular need to acquire specific property. This category would also encompass the difference in price obtainable for a property that had obtained prior subdivision approval as opposed to a raw tract of land. Market condition adjustments reflect changes in the market between the time of sale of the comparable property and the effective date of the appraisal.

The market does not provide enough data with which to define differences in development concepts from the same genre. In other words, there are not enough sales to determine from the market whether say, an active adult concept in this location would command more on a per unit basis than would a typical townhouse plan, or whether a "workforce" housing component should be included, etc. All types of residential developments have struggled in the market of the past several years, and some have crashed and burned. A study to define these issues is beyond the scope of this appraisal, and amounts essentially to a feasibility study.

After the above adjustments are considered, the unit rate is subsequently adjusted for differences in land utility, character and qualities; locational features, etc. These adjustments consider factors such as availability and cost of utilities, density, topography, access, frontage, potential development costs, parcel size, overall appeal of the development, and the like.

The adjustment process is a procedure in which the sales are adjusted positively for elements of comparison for which the subject is considered superior to the subject, and negatively for those elements for which the comparable sale is considered superior to the subject.

Prior to adjustment, the sales indicate prices between \$38,095 and \$107,692 per dwelling unit. The highest indications of price (Sales 5 at \$90,000 per unit and Sale 6 at \$107,692 per unit) reflect prices per unit for tracts that support student housing, which provides for substantially higher returns on a per unit basis than would a similar parcel limited to conventional housing. These sales would require significant downward adjustment in relating to the hypothetical subject units.

Similarly, the next highest price (Sale 5 at \$86,000 per unit) reflects a price per unit that includes the inclusion of site improvements and utilities. If adjusted to deduct the site improvement costs, this sale would indicate a price in the range of \$55,000 per approved unit, and the range for the sales would be narrowed to between \$38,095 and \$59,259 per unit.

The Rodney parcel is assigned a value of \$60,000 per unit, which when applied to the proposed density of three units per acre, indicates \$180,000 per acre for the Rodney tract, or \$1,305,000 for 7.24 acres.

The Dickinson parcel is assigned a value of \$55,000 per unit, or \$165,000 per acre, which is lower than that of the Rodney parcel. This is logical because the Dickinson parcel is divided by a road, lacks the mature trees on the Rodney parcel, and is more removed from the influence of Oaklands and closer to non-residential development. These factors that indicate a lower price per acre would be appropriate. The unit rates indicate an overall value of \$1,385,000 for the 8.39 acre Dickinson parcel.

Please again note that these represent “as is” values, without zoning or approvals in place. A reasonable exposure time is estimated at six to twelve months under this scenario.

These represent reasonable trading ranges for the subject property based on the assumptions utilized. The actual sale price achieved would depend on such factors as actual potential demolition costs, the degree of rezoning that could be achieved and what type of development yield would ultimately be realized, the buyer pool at any given time, the buyer's capability of obtaining financing, and other factors.

Anyone relying on this report is urged to perform such additional engineering and due diligence as is necessary to quantify any and all such matters. Although this report takes into account how buyers and sellers would likely perceive and evaluate the subject property based upon information reasonably available and known to date, there are many factors impacting the potential developability of the subject that are beyond the scope of this appraisal, and which upon further investigation, could materially impact the value conclusion. Absolutely no warranty as to the developability of the site or its eventual capacity should be inferred. It is strongly recommended that legal counsel and other experts in engineering, demolition, etc. be consulted by any parties with a fiduciary interest in the property so that all issues may be addressed.

It is worth mentioning again that the properties are currently zoned UN (University) and are used in that capacity. If the properties were sold on the open market to a third party, they would have to be rezoned, which would require community input and City Council approval. It is unlikely that a use as intensive as the current University usage would be found permissible. As discussed with the client, the values herein reflect the market value of each of the properties within the general market. The potential value of each of these tracts to the University based on continued University based usage is not part of this valuation assignment, although it will likely be part of the conversation as the sale of the parcels moves forward.

It is recognized that there are any number of ways that this property and unique situation can be perceived and analyzed. We would be happy to provide additional information or consultation in this regard if desired.

**STANDARD ASSUMPTIONS AND LIMITING CONDITIONS**

1. This analysis is applicable only under the assumptions and limiting conditions stated. No fractional part of this appraisal is to be used in conjunction with another appraisal; such use renders it invalid.
2. No responsibility is assumed for matters legal in nature. Title is assumed to be marketable and free and clear of all liens and encumbrances, except as specifically described in the appraisal report.
3. Exhibits (if any) are included to assist the reader in visualizing the property. No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. The exhibits included in the report are for illustrative purposes only. The analysis covers the property as described within the report, and areas and dimensions noted are assumed to be correct.
4. Unless otherwise noted herein, it is assumed that there are no encroachments, zoning or restriction violations existing in subject property. No responsibility is assumed by us for matters of these natures such as validity and enforceability of leases and other rights, compliances, zoning and other laws, nor is any opinion on title rendered. The appraisal assumes that there are no existing judgments or pending or threatened litigation that may affect the value of the property.
5. Information, estimates and opinions contained in the report are obtained from sources considered reliable; however, no liability for them is assumed by the appraiser.
6. The appraiser, by reason of this report, is not required to appear in or give testimony in court, attend pre-trial conferences, or appear as required by subpoena with reference to the property appraised unless prior written arrangements have been made.
7. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.
8. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
9. It is assumed that all required licenses, consents or other legislative or administrative authority from any governmental or private or organization have been or can be obtained or renewed for any use on which the value estimate in this report is based.
10. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
11. Portions of the property not inspected by the appraiser (if any) are assumed to be as reported or similar to other portions which were inspected.
12. No responsibility is assumed for events, actions, conditions or circumstances affecting the property or its value that take place subsequent to the date of value contained in the report, or the date of field inspection, whichever occurs first.

13. No changes in the federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
14. The value conclusion(s) applies to the real estate only; it does not include personal property, machinery and equipment, trade fixtures, business value, goodwill or other non-realty items. Income tax considerations have not been included or valued. The appraisers make no representations as to the value increment which may be attributed to such considerations, unless noted herein.
15. The assumption is made that the property is not contaminated now nor will it be hazardous in the future. It must be clearly understood that the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser, nor is there any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
16. The valuation is limited to the surface rights of the property and does not consider positive or negative effects to value due to subsoil conditions, mineral rights, etc. which would render the property more or less valuable. No subsoil analysis or testing was authorized or performed, and no responsibility is assumed for such conditions or for engineering which may be required to discover them.
17. No chemical or scientific tests were performed by the appraiser on the subject property, and it is assumed that the air, water, ground, and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the site does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the ground water or the environment unless otherwise noted in the report.
18. The assumption is made that all necessary building permits, subdivision permits and approvals, ingress and egress easements, offsite improvements, and other permits are in place and paid for and that the property will be delivered on an essentially "free and clear" basis. Mortgage requirements or other debt are not factored into the value estimates.
19. The Americans With Disabilities Act (ADA) became effective January 26, 1992. A compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA has not been completed. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we do not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

20. The physical conditions of any building, structure, site improvements or other improvements noted herein or on the property are based on casual visual inspection. Electrical, heating, cooling, plumbing, roofing, sewer and/or septic system, mechanical equipment, water supply and the like are not specifically tested, but are assumed to be in good working order and adequate unless otherwise specified. No liability is assumed for these items or for the soundness of structural members since no engineering tests were made. If the client or any reader of the report has any concern regarding the structural, mechanical or protective components of the property described herein, or the adequacy or quality of utilities or the improvements, it is suggested that independent contractors, engineers or other experts in these disciplines be retained.
21. Economic conditions are generally assumed to be consistent with the current state of the economy, including interest rates on loans that were available as of the date of the analysis. No responsibility is assumed for changes in market conditions or for the inability of the client or any other party to achieve their desired results based upon the analysis herein. The analysis necessarily incorporates numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates and assumptions, however, will inevitably not materialize. Non-anticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the analysis will vary from the estimates, and the variations may be material.
22. This report represents a value estimate based on the analysis as of a specific date and upon information known at the time the analysis was made. We do not assume any responsibility for incorrect analysis based on incorrect or incomplete information. If new information of significance comes to light, conclusions in this report are subject to change without notice.
23. This report was not prepared and shall not be used in connection with raising funds for the purchase of an equity interest in the property, including real estate limited partnerships and syndications.
24. No responsibility is accepted by us for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters; geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters.
25. Disclosure of the contents of this report is governed by the bylaws and regulations of the Appraisal Institute. No part of the report or the identity of the appraiser shall be disseminated to the general public by use of advertising, public relations media, news media, sales media or any other media for public communication, including public and private offerings, memoranda, etc. without the prior written consent of the author of the report. This restriction applies particularly as to the conclusions, the identity of the analysts or any reference to the Appraisal Institute or to the SRA and/or MAI designations.

**CERTIFICATION**

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

My value conclusions, as well as other opinions expressed herein, are not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.

I have read, understood and satisfied the competency provision of USPAP.

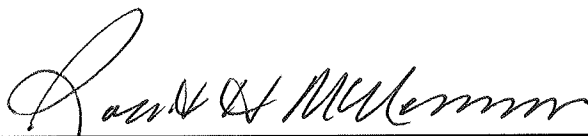
I have made a personal inspection of the property that is the subject of this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

No one provided significant real property appraisal assistance to the person signing this certification.

As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

I have performed no appraisal services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.



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Robert H. McKennon, CRE, MAI



**QUALIFICATIONS**  
**ROBERT H. McKENNON, CRE, MAI**

Business Experience:

Current	-	Owner & President, Appraisal-Associates, Inc.
1982-1989	-	Partner & Director, Appraisal-Associates, Inc.
1982	-	Vice President, Appraisal-Consultants, Inc.
1977-1982	-	Associated with Appraisal-Consultants, Inc.
1975-1976	-	Associated in real estate sales

Professional Affiliations:

Member of the Appraisal Institute, MAI, since 1983 (Certificate #6752)  
Member, The Counselors of Real Estate, CRE, since 1994 (Certificate #1619)  
Certified General Real Property Appraiser - State of Delaware (Certification #X1-0000026)  
Certified General Real Property Appraiser - State of Pennsylvania (Certification #GA-000928-L)  
Member, New Castle County Board of Realtors

Education:

Graduate of Tower Hill School, Wilmington, Delaware, 1970  
B.A. Tulane University, majoring in Economics, 1974

Appraisal Education:

Successfully completed all courses and experience requirements to qualify for the MAI designation.  
Currently certified under Appraisal Institute's continuing education program.

Scope of Appraisal Activity:

Experienced in various property types and aspects of real estate valuation including: residential, agricultural, condominium, institutional, office, commercial, industrial, conservation and other easements, unimproved land, development projects, partial takings for condemnation cases, investment, partial interests, limited partnerships, limited liability companies, special use properties, damages, and complex valuation problems.

Qualified expert - Various courts and arbitration hearings

Assignments have been completed in the States of Delaware, Maryland, Pennsylvania, New Jersey, and North Carolina.

Mr. McKennon's firm provides real estate appraisal and counseling services to financial institutions, attorneys, corporations, investors, developers, governmental agencies and individuals.

A partial list of clients for which assignments have been completed include:

Artisans' Savings Bank	PNC Financial Corp.
Bellevue Holding Company	Pennsylvania National Bank
Brandywine Conservancy	Salvation Army
Chase Manhattan Bank (USA), N.A.	Sprint PCS
Cingular	State of Delaware - various departments
Conectiv	Sun Oil Company
Conservation Fund	Sun National Bank
Delaware Solid Waste Authority	Texaco, Inc.
Delaware State Highway Department	U. S. Postal Service
Delle Donne & Associates	United States Life Insurance Company
E. I. duPont de Nemours & Company	Verizon
Exxon Corporation	Wachovia
First Union	Westvaco
ICI Americas, Inc.	Wilmington, City of
Mellon Bank	Wilmington Parking Authority
National Life of Vermont	Wilmington Savings Fund Society
New Castle County	Wilmington Trust Company
Numerous individuals, investors, attorneys, etc.	Winner Group Management



# **ADDENDA**

**SUBJECT PHOTOGRAPHS**



**Rodney Tract – View South Along Hillside Road**



**Rodney Tract – View East Along Forest Lane**



**Rodney Tract – View West Along Forest Lane**



**Rodney Tract – View South Along B & O Tracks**



**Rodney Tract – View North Along Hillside Road**



**Rodney Tract – View East Near Southerly Property Line**



**Dickinson Tract - View North Across Little League Field**



**Dickinson Tract - View West Along B & O Railroad Tracks**



**Dickinson Tract – View Northeast Along B & O Railroad Tracks**



**Dickinson Tract - View East Along Hillside Road**